

ETA Response to Draft Report

U.S. Department of Labor

Assistant Secretary for  
Employment and Training  
Washington, D.C. 20210



SEP 26 2013

MEMORANDUM FOR: ELLIOT P. LEWIS  
Assistant Inspector General  
Office of Audits

FROM: ERIC M. SELEZNOW   
Acting Assistant Secretary  
Employment and Training Administration

SUBJECT: Response to Office of Inspector General's Audit *Navajo Nation Did Not Adequately Manage Workforce Investment Act Grants and Could Service More Participants with Available Funds*, Audit Report 02-13-202-03-355

On behalf of the U.S. Department of Labor (the Department), Employment and Training Administration (ETA), thank you for the opportunity to comment on the Office of the Inspector General's (OIG) audit report entitled: *Navajo Nation Did Not Adequately Manage Workforce Investment Act Grants and Could Service More Participants with Available Funds*. The report offers a thorough review of the Navajo Department of Workforce Development (NDWD), and provides valuable recommendations to improve program efficiency and accountability.

The OIG report recommends that the Acting Assistant Secretary for ETA require NDWD to:

1. Implement accounting policies and procedures to properly allocate personnel and non-personnel costs. Furthermore, that the Navajo Nation implement and define practices to determine disallowable costs as outlined in the Navajo Nation Office of the Comptroller (NNOOC) Policy Manual.

**ETA's Response to Recommendations 1:** Upon receipt of NDWD's response, ETA will further assess the OIG recommendations. If the findings are correct, ETA will work with NDWD program to implement accounting policies and procedures that demonstrate actual personnel and non-personnel costs. ETA will also verify that NDWD finalizes and implements its NNOOC Policy Manual.

2. Conduct training with staff on accurate data reporting, and participant follow-up procedures.

**ETA's Response to Recommendations 2:** Based on quarterly program reports submitted, ETA has determined that NDWD's data is accurate. ETA uses the Wage

Record Interchange System (WRIS) which matches the records of NDWD participants with unemployment insurance wage records. ETA believes that this is a more efficient method of tracking participant outcomes. Due to limited staffing and resources, ETA contends that tracking participants after exit often presents a challenge for grantees.

The OIG report further recommends that ETA:

3. Recover questioned costs of \$8.0 million, or obtain appropriate support.

**ETA's Response to Recommendations 3:** ETA will work with NDWD to determine and recover any expenses that were incorrectly charged to the ETA grant.

4. Develop a policy for recapture and reallocation of excess carry-over funds for INAP grants.

**ETA's Response to Recommendations 4:** ETA concurs with this recommendation. ETA will develop and implement a policy to encourage more timely expenditure of grant resources to provide services to Native Americans and to recoup unexpended funds as allowable. In November 2013, ETA will confer with the Native American Employment and Training Advisory Council on the policy and implementation.

5. Ensure appropriate follow-up is performed to resolve findings and corrective actions after on-site monitoring reviews.

**ETA's Response to Recommendations 5:** ETA concurs with this recommendation. ETA will strengthen its follow up efforts for corrective-action after on-site monitoring reviews are conducted. ETA will ensure the Office of Workforce Investment, Division of Indian and Native American Program staff receives additional training and support to address this recommendation. In fact, the Division includes the status of monitoring actions in staff performance plans so that each FPO is accountable for ensuring timely corrective action by grantees. Further, ETA's Office of Grants Management provides annual Federal Project Officer training.

Appendix E

NDWD Response to Draft Report



Navajo Department of Workforce Development

Post Office Box 1889  
Window Rock, Arizona 86515  
Telephone: (928) 871-7707 Fax (928) 871-7116

September 24, 2013

Ref. No. 13-NDWD-039

Elliott P. Lewis  
Assistant Inspector General for Audit  
U.S. Department of Labor  
Office of Inspector General  
200 Constitution Avenue, N.W.  
Room S-5512  
Washington, D.C. 20210

RE: Audit Report No. 02-13-202-03-355

Dear Mr. Lewis:

The written responses to Draft Report #2 of Audit Report No. 02-13-202-03-355, is hereby submitted today's date. An on-site exit conference should have been conducted by the audit team.

Due to time and travel constraints, we did not have enough time to complete more on-site work with the audit team. We consider all audit reviews as positive feedback to make continuous improvements to serve constituents of the Navajo Nation. Audit reports should also portray positive accomplishments of programs being reviewed. Success stories also need to be broadcasted to the general public and public officials. The Navajo Department of Workforce Development has been implementing much-needed employment and training programs for the Navajo Nation, for many years.

The Navajo Department of Workforce Development will be requesting technical assistance to ETA U.S. Department of Labor DINAP to address the findings presented by this audit. I can be contacted at telephone number (928) 871-7721 for any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Roselyn Shirley".

Roselyn Shirley  
Department Manager III  
Navajo Department of Workforce Development

Enclosures:

1. NDWD Audit Response Report
2. Exhibits A and B

**THE NAVAJO NATION  
DIVISION OF HUMAN RESOURCES  
NAVAJO DEPARTMENT OF WORKFORCE DEVELOPMENT**

**RESPONSE REPORT TO U.S. DEPARTMENT OF LABOR  
OFFICE OF INSPECTOR GENERAL – OFFICE OF AUDIT  
DRAFT AUDIT REPORT #2  
AUDIT REPORT NO. 02-13-202-03-355  
SEPTEMBER 24, 2013**

**OVERVIEW:**

The Navajo Department of Workforce Development (NDWD), the designated administrative entity of the Navajo Nation to administer and implement Workforce Investment Act (WIA) Section 166 funds and programs, was audited by a team from the Office of Inspector General, Office of Audit. The audit reviews and retrieval of documents was very quick and did not facilitate more on-site discussion of these audit findings and documentation. On-site time was limited for the audit team and not all copies of documents were provided to the NDWD Department Manager for the entire audit. The collection and retrieval of documents took majority of on-site work time of the audit team.

A number of areas in program management and controls were reviewed by the audit team. The WIA Bear Tracks reporting databases were provided to the auditors. A number of interviews were conducted; however, not all interviews could be attended by the Department Manager or key staff. Completing interviews to match period of audit is not appropriate, as employees will not correctly recall what they were doing or provide detailed information from years past.

The Navajo Nation's Office of the Controller (OOC) is the designated fiscal agent for the Navajo Department of Workforce Development and its external-funded programs. The NDWD Department Manager does not supervise the OOC staff. The actual posting of expenditures and final charges of all funds is performed by the Office of the Controller units. The OOC WIA Accounting Section and OOC Contract Accounting Unit are assigned to complete cash drawdowns of grant funds. The OOC WIA Accounting Section is currently responsible for submission of WIA quarterly 9130 reports for WIA programs. The OOC WIA Accounting Section's Senior Accountant prepares the NDWD employee cost-allocation charges for each quarter. The charges for appropriate Indirect Costs are posted by OOC WIA Accounting Section as authorized by their supervisors. The OOC provided access to the Navajo Nation's Financial Management Information System, during the audit.

A complete audit response needs to involve the Navajo Nation Office of the Controller and the Office of Management and Budget. The Navajo Department of Workforce Development employees were working on other audits at the time of this audit by the Office of Inspector General team. This caused daily retrieval of documents and accommodating of all auditors at one time for a number of months.

**Finding 1 – NDWD did not properly manage \$8.0 million in INAP grant funds**

**RESPONSE:**

NDWD Department Manager will convey the requirements of current accounting manuals to the Navajo Nation Controller and OOC Contract Accounting Unit. The Office of the Controller relocated to an alternate worksite due to contamination problems with their building. At the time of the audit, financial documents needed to be retrieved from the storage bins.

**A. NDWD did not have adequate controls in place to properly allocate personnel costs of \$6,676,572.**

**RESPONSE:**

The OOC WIA Accounting Section's personnel cost-allocation work sheets were not reviewed with NDWD Department Manager and HR Senior Office Specialist. NDWD Workforce Centers' quarterly program statistics are submitted to OOC WIA Accounting Section. This method of use of quarterly program statistics for personnel cost-allocation was based on written recommendation from OOC supervisors.

The OOC WIA Accounting Section prepares the worksheets for posting of personnel expenditures every quarter. The OOC WIA Accounting Section's Senior Accountant posts the personnel expenditures into the FMIS. NDWD Department Manager does not approve these worksheets or the posting of actual expenditures.

The Department Manager and appropriate staff can review the questioned costs with the OOC WIA Accounting Section. The NDWD Department Manager needs to be involved in reviews of quarterly personnel costs expenditures. The cost-allocation of WIA and NEW Program personnel costs needs a procedure or method to be agreed to with the Navajo Nation OOC, which needs to be submitted to U.S. Department of Labor and Department of Health and Human Services for approvals. Personnel cost-allocation procedures have been initiated previously; however, the approval of the methodology needs to be properly approved by the funding agencies.

**B. NDWD did not have controls in place to properly allocate and charge non-personnel costs of \$1,295,986.**

**RESPONSE:**

The Table 1: Summary of questioned personnel costs, the following expenditures posted for personnel costs need to be reviewed with OOC WIA Accounting Section. Personnel Action Forms need to be compared with the expenditures posted every quarter. The use of clearing accounts for the personnel cost pool needs to be reviewed with OOC WIA Accounting Section every quarter.

NDWD cannot provide documentation or provide justifications for the following questioned costs included in Table 2: Summary of Questioned Non-Personnel Costs. The Navajo Nation OOC has to respond to these costs and documents.

1. Unsupported Adjusting Journal Entries: \$380,722
2. Prior Period Expenses and Late Fees Paid: \$23,661
3. Indirect Costs Applicable to Questioned Cost: \$539,699

**NDWD did not obtain ETA approval for capital improvements of \$224,277.**

RESPONSE:

The amount of \$224,277 was used to process procurement for and purchase of the following equipment and services:

1. Real Time Solutions Professional Service Contract: \$ 55,337  
The professional services agreement is for more than one year. Consultation will be made with the Federal Projects Officer on approval prior to additional funding. Documents are submitted as "Exhibit A" with additional information.
2. Southern Computer Warehouse Inc. Purchase Order: \$ 40,532  
The unit price did not exceed the \$5,000 threshold and did not require ETA DINAP approval.
3. CDW Government Inc. Purchase Order: \$128,408  
The unit price did not exceed the \$5,000 threshold and did not require ETA DINAP approval.

Navajo Nation's procurement rules and regulations were complied with in the procurement of these purchases and the Real Time Solutions Professional Services Contract. The contract for Real Time Solutions includes development of NDWD portal, Web-based Electronic Document Management, Web-based Document Tracking, Integration and Hosting/Technical Support.

The federal rules and regulations as cited by the auditors at 2 CFR §225 Appendix B – "Selected Items of Cost" need to be updated to clearly define computer technology purchases and include useful language for the continuing expiration of computer hardware and software. NDWD upgraded its operating system due to non-compatibility problems with old software and equipment. The website needed to be upgraded to be customer-friendly and assist employees in tracking of important program documents. WIA program funds should be used to support continuous computer technology upgrades which are very-much needed especially in our field offices.

In the future, if DOL DINAP needs to review NDWD program budgets for any costs that may require the approval of the funding agency officials, which can be another layer of approvals to be implemented. NDWD provides written justification for WIA funds at the time of grant application. The Navajo Nation Office of Management and Budget is the oversight office internally to review all budgets and enter the approved budgets into the Navajo Nation Financial Management Information System. Technical assistance will be requested from the assigned Federal Projects Officer on reviews of current agreements.

**Finding 2 – Despite excess carry over funds of \$8.5 million, prospective participants are waiting for employment and training services.**

**RESPONSE:**

The five Workforce Centers and sub-offices located in the three states of Arizona, New Mexico and Utah provide direct services to interested individuals with program information, those that need only core services, and program services to eligible youth and adults. The program intake, screening, comprehensive assessment services, development of service strategies, program enrollments, and follow-up services are provided by the Workforce Centers.

All program budgets are properly processed and approved through Navajo Nation Office of Management and Budget. Every program dollar is budgeted and approved by required budget forms and processes before internal authorizations are issued for implementations of expenditures. 80% of all WIA funding allocations are budgeted for direct services. NDWD submits WIA Section 166 grant applications and strategic plans in accordance with planning guidance instructions issued by ETA U.S. Department of Labor.

**NDWD has consistently exceeded its carry-over limit since PY 2008.**

**RESPONSE:**

NDWD Department Manager and key staff have communicated with DOL DINAP Chief and Federal Projects Officers to expedite the Notices of Obligations for funding awards of WIA funding allocations. Not all Notices of Obligations for each program year are received on a timely schedule. Notices of Obligations are normally received by e-mail from the ETA Grant Officers or Federal Projects Officers. The untimely receipt of Notices of Obligations for state funds has caused late implementation of program activities and expenditures.

20 CFR §667.107 is used for guidance in the management of WIA funding allocations.

*What is the period of availability for expenditure of WIA funds?*

- (a) *Grant funds expended by States. Funds allotted to States under WIA sections 127(b) and 132(b) for any program year are available for expenditure by State receiving the funds only during that program year and the two succeeding program years.*

Based on research and notices on file with the NDWD Department Manager, the following information is provided on the Notices of Obligations for WIA funds and Grant Modifications received since Program Year 2008:

**Program Year 2008: Grant No. AB-17175-08-55-A-4**

Mod #	Effective Date	Date Received	Funding Allocation
0	6/10/2008	1/23/2009	\$3,077,431 SYSP
1	7/1/2008	1/23/2009	\$5,866,074 CSP
2	10/6/2008	10/31/2008	\$1,952,912 State Adult, Youth, PY DW
3	10/9/2008	10/31/2008	\$1,504,340 State FY09 Advance Adult & DW
4	11/7/2008	1/14/2009	Unilateral Mod – 1) Incorporate CSP Pgs 2-39, 2) 20% AC, 3) Extend PY08 Allotments to 6/30/2009

**Program Year 2009: Grant No. AB-17175-08-55-A-4**

Mod #	Effective Date	Date Received	Funding Allocation
5	2/17/2009	3/20/2009	\$3,956,397 ARRA SYSP; Period of Performance issued for 2/17/09 to 6/30/11.
7	4/1/2009	7/28/2009	\$8,943,504 CSP & SYSP
8	6/30/2009	8/13/2009	\$3,050,738 ARRA State PY Adults, Youth, PY DW
9	11/24/2009	12/28/2009	\$3,156,371 State FY10 Advance Adult, PY Adult, FY10 Advance DW, PY DW, PY Youth

**Program Year 2010: Grant No. AB-17175-08-55-A-4**

Mod #	Effective Date	Date Received	Funding Allocation
10	4/1/2010	Not Available	\$3,077,429 SYSP
11	7/1/2010	Not Available	\$5,866,074 CSP
12	7/29/2010	1/10/2011	\$1,747,869 State PY Adult, PY Youth, PY DW
13	8/4/2010	3/14/2011	Notice only
14	7/1/2010	3/14/2011	\$1.00 CSP
15	11/16/2010	3/14/2011	\$1,507,253 State FY11 Advance Adult, FY11 Advance DW
			NOTE: PY10 Funds authorized 4/1/2010 to 6/30/12

**Program Year 2011: Grant No. AB-21609-11-55-A-4**

Mod #	Effective Date	Date Received	Funding Allocation
0	4/1/2011	7/6/2011	\$2,750,542 SYSP
1	7/1/2011	7/7/2011	\$1,381,776 State PY Youth
2	7/1/2011	7/28/2011	\$5,854,341 CSP
3	7/1/2011	1/6/2012	\$276,023 State PY Adult & PY DW
4	11/30/2011	1/5/2012	\$1,828,642 State FY12 Advance Adult & FY12 Advance DW

The receipt of Notices of Obligations for state funds is on a delayed basis, not in accordance with the program year funding cycles. This is causing a “snow-ball” effect whereby carryover of funds continues into the next program year. NDWD Department Manager will consult with assigned Federal Projects Officer to facilitate communication on this reoccurring problem.

**Prospective participants were waiting for employment and training services.**

**RESPONSE:**

The NDWD Administration's Department Manager and unit supervisors disagree with this statement made by the auditors. There were no listings of pending applicant pools provided by the Workforce Centers' staffs that were interviewed. The prioritization of program applicants and decisions for serving the most-in-need and target populations to be served is based on case management assessments at the field offices.

The need to re-enroll former participants can be justified by Employment Assistance Officers based on re-assessments and revision of program service strategies. All approvals of new program enrollments or re-enrollments are the responsibilities of the Workforce Centers' Program Supervisors. Workforce Centers' Program Supervisors are allowed to request for reallocation of unspent direct services funds, to accommodate additional pending enrollments. These requests are addressed with re-allocation of unspent funds by the Administration Office's Planning and Marketing Unit.

Copies of all NDWD program policies and procedures have been provided to DOL DINAP Federal Projects Officers. No recommendations have been received to revise policies if there are any unnecessary limitations or restrictions. INA Grantees are required to ensure program policies and procedures safeguard integrity of program services and compliance with quality assurance practices, including data quality for program reporting. The NDWD Department Manager is required to insure internal reviews of all policies and procedures before approval and implementation.

**Finding 3 – NDWD did not achieve some performance goals and provided minimal follow-up after participants left the program.**

**RESPONSE:**

NDWD Management Information System (MIS) Unit is the lead office to compile and certify all program participant reporting every quarter and meet reporting deadlines for all programs. An internal corrective action was implemented in January 2011 to centralize all NDWD program records and data-entries into the WIA Bear Tracks Reporting Systems. This is to improve data-validation and provide immediate alerts to the field staff for needed record updates and OMB Common Measures quarterly follow-ups. The MIS Unit generates detailed Bear Tracks Reports to justify all program statistical reports.

All quarterly program reports are reviewed and certified by Federal Projects Officers. There is no written notice to NDWD on not meeting planned performance measures or non-compliance with grant planning worksheets. Services to target populations of school dropouts or those needing remedial skills training may involve more than one program year; and therefore, not reported until a complete positive outcome is achieved. NDWD experiences a major need of addressing basic skills remediation or youth that need to return back to school and achieve a high school diploma. A skills training online software has been implemented to assist these populations, with direct consultation by the NDWD Workforce Center Counselors.

Documents are submitted as "Exhibit B" to clearly demonstrate the Youth Program Attainments for the period of April 1, 2011 to March 31, 2012. The attainment of two or more goals for each participant is significantly achieved with check marks for the listing of youth goals. The audit team did not have time to review the program participant reports on-site or have the missing follow-up documents addressed prior to completion of the audit work.

NDWD staffs have attended training to implement the WIA Comprehensive Services OMB Common Measures, at WIA regional and national conferences. NDWD staff meetings have provided training and informational hand-outs on an annual basis to all employees. The NDWD Department Manager and the Workforce Centers' Program Supervisors can address the program follow-up requirements with inclusion of follow-up work activities scheduled for the Employment Assistance Officers on a monthly basis.

NDWD staffs have not been trained on use of the Kansas Department of Commerce's Common Reporting Information System (CRIS) or use of state UI wage databases. If Section 166 grantees are able to have access to these state databases, the information needs to be provided in a written guidance from U.S. Department of Labor DINAP. Actual names of program participants reported in the UI wage databases are not reported back to NDWD.

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